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DEPARTMENT OF ENERGY

Federal Energy Regulatory Commission

Billing Procedures for Annual Charges

For the Costs of Other Federal Agencies for

Docket No. AD15-2-000

Administering Part I of the Federal Power Act

NOTICE REPORTING COSTS FOR OTHER FEDERAL AGENCIES'

ADMINISTRATIVE ANNUAL CHARGES FOR FISCAL YEAR 2014

1. The Federal Energy Regulatory Commission (Commission) is required to determine the reasonableness of costs incurred by other Federal agencies (OFAs)<sup>1</sup> in

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<sup>1</sup> The OFAs include: the U.S. Department of the Interior (Bureau of Indian Affairs, Bureau of Land Management, Bureau of Reclamation, National Park Service, U.S. Fish and Wildlife Service, Office of the Solicitor, Office of Environmental Policy & Compliance, Office of Hearings and Appeals and Office of Policy Analysis); the U.S. Department of Agriculture (U.S. Forest Service); the U.S. Department of Commerce (National Marine Fisheries Service); and the U.S. Army Corps of Engineers.

connection with their participation in the Commission's proceedings under the Federal Power Act (FPA) Part I<sup>2</sup> when those agencies seek to include such costs in the administrative charges licensees must pay to reimburse the United States for the cost of administering Part I.<sup>3</sup> The Commission's *Order on Remand and Acting on Appeals of Annual Charge Bills*<sup>4</sup> determined which costs are eligible to be included in the administrative annual charges and it established a process for Commission review of future OFA cost submittals. This order established a process whereby the Commission would annually request each OFA to submit cost data, using a form<sup>5</sup> specifically designed for this purpose. In addition, the order established requirements for detailed cost accounting reports and other documented analyses, which explain the cost assumptions contained in the OFAs' submissions.

2. The Commission has completed its review of the forms and supporting documentation submitted by the U.S. Department of the Interior (Interior), the U.S. Department of Agriculture (Agriculture), and the U.S. Department of Commerce (Commerce) for fiscal year 2014. This notice reports the costs the Commission included in its administrative annual charges for fiscal year 2015.

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<sup>2</sup> 16 U.S.C. 794-823d (2006).

<sup>3</sup> *See id.* § 803(e)(1) and 42 U.S.C. 7178.

<sup>4</sup> 107 FERC ¶ 61,277, *order on reh'g*, 109 FERC ¶ 61,040 (2004).

<sup>5</sup> Other Federal Agency Cost Submission Form, *available at* <https://www.ferc.gov/docs-filing/forms.asp#ofa>.

### Scope of Eligible Costs

3. The basis for eligible costs that should be included in the OFAs' administrative annual charges is prescribed by the Office of Management and Budget's (OMB) Circular A-25 - *User Charges* and the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) Number 4 - *Managerial Cost Accounting Concepts and Standards for the Federal Government*. Circular A-25 establishes Federal policy regarding fees assessed for government services and provides specific information on the scope and type of activities subject to user charges. SFFAS Number 4 provides a conceptual framework for federal agencies to determine the full costs of government goods and services.

4. Circular A-25 provides for user charges to be assessed against recipients of special benefits derived from federal activities beyond those received by the general public.<sup>6</sup> With regard to licensees, the special benefit derived from federal activities is the license to operate a hydropower project. The guidance provides for the assessment of sufficient user charges to recover the full costs of services associated with these special benefits.<sup>7</sup> SFFAS Number 4 defines full costs as the costs of resources consumed by a specific

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<sup>6</sup> OMB Circular A-25 § 6.

<sup>7</sup> OMB Circular A-25 § 6. a. 2.

governmental unit that contribute directly or indirectly to a provided service.<sup>8</sup> Thus, pursuant to OMB requirements and authoritative accounting guidance, the Commission must base its OFA administrative annual charge on all direct and indirect costs incurred by agencies in administering Part I of the FPA. The special form the Commission designed for this purpose, the “Other Federal Agency Cost Submission Form,” captures the full range of costs recoverable under the FPA and the referenced accounting guidance.<sup>9</sup>

#### Commission Review of OFA Cost Submittals

5. The Commission received cost forms and other supporting documentation from the Departments of the Interior, Agriculture, and Commerce (OFAs). The Commission completed a review of each OFA’s cost submission forms and supporting reports. In its examination of the OFAs’ cost data, the Commission considered each agency’s ability to demonstrate a system or process which effectively captured, isolated, and reported Part I costs as required by the “Other Federal Agency Cost Submission Form.”

6. The Commission held a Technical Conference on March 26, 2015 to report its initial findings to licensees and OFAs. No OFA representatives attended the conference.

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<sup>8</sup> SFFAS Number 4 ¶ 7.

<sup>9</sup> To avoid the possibility of confusion that has occurred in prior years as to whether costs were being entered twice as “Other Direct Costs” and “Overhead,” the form excluded “Other Direct Costs.”

Following the technical conference, licensees had the opportunity to submit comments<sup>10</sup> to the Commission regarding its initial review.

7. Written comments were filed by Idaho Falls Group (Idaho Falls). Idaho Falls generally supported the Commission's analysis but raised questions regarding certain various individual cost submissions. The Commission will address the issues in the Appendix to this notice.

8. After additional reviews, full consideration of the comments presented, and in accordance with the previously cited guidance, the Commission accepted as reasonable any costs reported via the cost submission forms that were clearly documented in the OFAs' accompanying reports and/or analyses. These documented costs will be included in the administrative annual charges for fiscal year 2015.

#### Summary of Reported & Accepted Costs for Fiscal Year 2014

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<sup>10</sup> See Letter from Charles R. Sensiba, Van Ness Feldman, to the Honorable Kimberly D. Bose, FERC, Docket No. AD15-2-000 (filed May 11, 2015).

	Municipal		Non-Municipal		TOTAL	
	Reported	Accepted	Reported	Accepted	Reported	Accepted
<b>Department of Interior</b>						
Bureau of Indian Affairs	143,046	143,046	216,666	216,666	359,713	359,713
Bureau of Land Management	98,020	96,140	1,494	2,212	99,514	98,352
Bureau of Reclamation	141	141	39,044	39,044	39,185	39,185
National Park Service	280,357	280,357	278,416	278,416	558,773	558,773
U.S. Fish and Wildlife Service	881,471	880,657	1,036,499	1,035,447	1,917,972	1,916,104
U.S. Geological Survey					-	-
Office of the Solicitor	13,599	13,599	111,186	108,414	124,785	122,013
Office of Environmental Policy & Compliance	55,825	55,825	132,834	132,834	188,658	188,658
Office of Hearings and Appeals	489	489	1,840	1,840	2,329	2,329
Office of Policy Analysis	-	-	9,646	9,646	9,646	9,646
<b>Department of Agriculture</b>						
U.S. Forest Service	493,060	378,925	1,550,580	1,194,016	2,043,640	1,572,941
<b>Department of Commerce</b>						
National Marine Fisheries Service	1,563,763	1,132,389	551,280	400,071	2,115,043	1,532,460
<b>TOTAL</b>	<b>3,529,771</b>	<b>2,981,568</b>	<b>3,929,485</b>	<b>3,418,606</b>	<b>7,459,258</b>	<b>6,400,174</b>

Figure 1

9. Figure 1 summarizes the total reported costs incurred by Interior, Agriculture, and Commerce with respect to each OFA's participation in administering Part I of the FPA. Additionally, Figure 1 summarizes the reported costs that the Commission determined were clearly documented and accepted for inclusion in its FY 2015 administrative annual charges.

#### Summary Findings of Commission's Costs Review

10. As presented in the preceding table, the Commission determined that **\$6,400,174** of the **\$7,459,258** in total reported costs were determined to be reasonable and clearly documented in the OFAs' accompanying reports and/or analyses. Based on these findings, 14% of the total reported cost was determined to be unreasonable. The Commission noted the most significant issues with regard to the insufficiency of

documentation provided by the OFAs was the lack of supporting documentation to substantiate costs reported on the “Other Federal Agency Cost Submission Form” as well as the inability to segregate Municipal and Non-Municipal costs.

11. The cost reports that the Commission determined were clearly documented and supported could be traced to detailed cost-accounting reports, which reconciled to data provided from agency financial systems or other pertinent source documentation. A further breakdown of these costs is included in the Appendix to this notice, along with an explanation of how the Commission determined their reasonableness.

#### Points of Contact

12. If you have any questions regarding this notice, please contact Norman Richardson at (202) 502-6219 or Raven Rodriguez at (202) 502-6276.

Dated: July 7, 2015.

Kimberly D. Bose,

Secretary.

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